



CIRCULAR 011-22

January 26, 2022

2022 COMPLIANCE PRIORITIES AND REGULATORY DIVISION INITIATIVES

Bourse de Montréal Inc. (the “Bourse”) is recognized by the Autorité des marchés financiers (the “Autorité”) as an exchange and self-regulatory organization. The Regulatory Division (the “Division”) is a separate unit of the Bourse responsible for carrying out the Bourse’s regulatory functions and operations. The purpose of this circular is to look back at highlights from 2021 and share the 2022 compliance priorities as well as the Division’s ongoing initiatives.

2021 Highlights:

- ❖ Establishing a cross-market surveillance protocol;
- ❖ Launching the Regulatory Outreach Program;
- ❖ Improving the Division’s website for better access to information;
- ❖ Publishing multiple guidelines and frequently asked questions (“FAQ”);
- ❖ Implementing the new position limit methodology;
- ❖ Renewing alternative measures in response to the COVID-19 pandemic;
- ❖ Developing and publishing for public comment proposed derivatives rule amendments; and
- ❖ Publishing guidance for comment and establishing a working group in preparation of the implementation of the Client Identifier initiative.

2022 Compliance Priorities

These priorities are aligned with supervision and risk management efforts to collectively promote compliance with the Bourse’s regulatory requirements. They support the Division’s mission to ***ensure the integrity of the derivatives markets and promote a culture of compliance***. Improving and fostering market integrity is the goal of the Division, whose vision is ***to contribute to maintaining fair and equitable markets by favoring innovation, transparency and collaboration with various stakeholders***. The Division therefore invites Canadian and foreign Approved Participants (collectively, the “Participants”) to pay particular attention to the following subjects:

1. Strengthening market integrity through regulatory cooperation and collaboration.

It is the continued and ongoing responsibility of each Participant to ensure effective oversight that includes diligently documented reviews and adequate training. That being said, with the modernization of Part 4 of the Bourse rules, amendments covering the conduct of regulatory activities, the enforcement process and clarification of the Bourse's jurisdiction over former Approved Participants and Approved Persons will come into effect in February 2022. Amendments to Part 4 on the conduct of regulatory authorities, provisions addressing the general powers of the Division to request information and provisions clarifying obligations to cooperate with the Division have been added. Also included in the amendments are descriptions for the process to initiate a disciplinary proceeding and the disciplinary proceeding administration, the requirement to disclose evidence, a revision of the maximum imposable fine(s), and the modification of the right to appeal such that a Participant may appeal to the Quebec Financial Markets Administrative Tribunal (the *Tribunal administratif des marchés financiers*). Participants are expected to adequately acquaint themselves with the changes to Part 4, as well as respect and cooperate with Division inquiries and efforts.

2. Fostering a compliance culture

There are multiple strategies to improve a culture of compliance, but ultimately, setting a positive "tone from the top" is the right example from senior management. This should also include engagement from the Participant's Enterprise Risk Management to best understand and mitigate the organization's risks that may extend towards the derivatives markets. With that, Participants should also be proactive in aligning business requirements with their compliance and governance framework. Increasing awareness of risk and compliance issues while implementing business and operational strategies effectively translates into a stronger control environment ensuring more long-term success.

3. Assessing adequate compliance resources and compliance process automation.

Tasks such as reviewing and updating policies and procedures on a regular basis considering business activities and risk, must be well defined and executed. Participants need sufficient personnel and resources to fully and effectively apply and enforce policies and procedures. Resources must be available to the Participant's employees to provide training and guidance. Along with adequate human resources, a Participant must also have the technology necessary to continuously and robustly review trading activity and risk controls. Testing of this technology must be sufficiently and suitably conducted and documented.

The Division personnel, through its Regulatory Outreach Program, remain available to answer any questions related to these items or to discuss any regulatory concerns or issues. Furthermore, if additional information or clarification is required, do not hesitate to contact the Division (coordinates may be found at the end of this circular).

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2022 Division Initiatives

In 2022, the Division wishes to maintain and encourage further collaboration with the various stakeholders to protect the integrity of the derivatives markets. It is also important for the Division to carry out its activities in an efficient and transparent manner, particularly by developing technological solutions and applying rules and policies that take market challenges into consideration. Along with its core regulatory functions, the Division is committed to developing strategies to support this mandate.

Below are some key initiatives the Division will pursue during the course of 2022:

1. Introducing a prearranged transaction order marker (Q4 2022)
2. Introducing requirements related to cybersecurity applicable to Approved Participants (Q2 2022)
3. Developing new Client Identifier guidelines and corresponding regulatory amendment proposal(s) (Q4 2022)
4. Introducing new modules on the Participant Portal (throughout 2022)
5. Providing educational material to the various stakeholders through the Regulatory Outreach Program
6. Hosting an in-person Compliance Forum (pandemic conditions permitting) (Q2 2022)
7. Optimizing surveillance tools by enhancing analytics and exploring innovative approaches

These initiatives will be the subject of a collaborative approach with the various stakeholders, particularly through exchanges and discussions during the Division's User Group meetings and the Client Identifier Working Group.

Finally, the Division intends to continue publishing a semiannual newsletter to share observed best practices, frequent examination findings and general information concerning its regulatory operations, including fines for minor violations imposed during the period, as well as the Scorecard relating to an Approved Participant's level of compliance.

For more information or for any questions, contact the Regulatory Division, at 514 787 6530 or toll-free in Canada and the US at 1 800 361 5353 ext. 46530, toll-free in Great Britain or France at 00 800 36 15 35 35 ext. 46530, or by email at info.mxr@tmx.com.

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